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IN THE CIRCUIT COURT FOR DAVIDSON COUNTY, TENNESSEE
TWENTIETH JUDICIAL DISTRICT AT NASHVILLE

FILED

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RICHARD R. BOOKER, CLERK

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STATE OF TENNESSEE, *ex rel.*)
ROBERT E. COOPER, JR.,)
ATTORNEY GENERAL and)
REPORTER,)

Plaintiff,)

v.)

Case No. 09C202

COUNTRYWIDE FINANCIAL)
CORPORATION, a Delaware)
corporation; COUNTRYWIDE HOME)
LOANS, INC., a New York corporation;)
and FULL SPECTRUM LENDING,)
INC., a California corporation,)

Defendants.)

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

This civil law enforcement action is brought in the name of the State of Tennessee ("State"), by and through Robert E. Cooper, Jr., the Attorney General and Reporter ("Attorney General"), pursuant to Tenn. Code Ann. §§ 8-6-109, 47-18-108, and 47-18-114, and all common law powers and duties of the Attorney General. Mary Clement, Director of the Division of Consumer Affairs of the Tennessee Department of Commerce and Insurance ("Division"), having reason to believe that Countrywide Financial Corporation, a Delaware corporation, Countrywide Home Loans, Inc., a New York corporation, and Full Spectrum Lending, Inc., a California corporation ("Defendants"), have violated and/or are continuing to violate the Tennessee Consumer Protection Act of 1977, Tenn. Code Ann. § 47-18-101 *et seq.*, has

requested that this civil action against Defendants be commenced by the Attorney General. The Attorney General brings this action in the public interest.

JURISDICTION AND VENUE

1. This action is brought for and on behalf of the Division of Consumer Affairs of the Department of Commerce and Insurance by Robert E. Cooper, Jr., the Tennessee Attorney General and Reporter, pursuant to the Tennessee Consumer Protection Act of 1977, Tenn. Code Ann. § 47-18-101 *et seq.* This Court exercises jurisdiction over the subject matter of this Complaint pursuant to the provisions of Tenn. Code Ann. §§ 47-18-108 and 47-18-114.

2. Venue is proper in Davidson County pursuant to Tenn. Code Ann. § 47-18-108(a)(3) because it is a county in which Defendants conduct or have conducted business at all times relevant to this Complaint.

3. Defendants waived ten (10) days notice of intent to sue under Tenn. Code Ann. § 47-18-108(a)(2).

PARTIES

4. Plaintiff, State of Tennessee *ex rel.* Robert E. Cooper, Jr., is the duly appointed Attorney General of Tennessee and, as such, has broad statutory and common law powers. The Attorney General is authorized to enforce the Tennessee Consumer Protection Act of 1977 (“Act”), Tenn. Code Ann. § 47-18-101 *et seq.* Pursuant to Tenn. Code Ann. § 47-18-108, relief available includes, but is not limited to, injunctive relief, restitution, attorneys’ fees, and civil penalties.

5. Defendant Countrywide Financial Corporation, a Delaware corporation (“CFC”) is a thrift holding company, and at all times mentioned herein engaged in the retail-based origination and funding of real estate secured, owner occupied residential mortgage loans.

6. Defendant Countrywide Home Loans, Inc., a New York corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization, and at all times mentioned herein engaged in the retail-based origination and funding of real estate secured, owner occupied residential mortgage loans.

7. Defendant Full Spectrum Lending, Inc., a California corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization, and at all times mentioned herein engaged in the retail-based origination and funding of real estate secured, owner occupied residential mortgage loans.

8. On July 1, 2008, Bank of America Corporation, a Delaware corporation, announced that it had completed its purchase of CFC, including Countrywide Home Loans, Inc., Full Spectrum Lending, and Countrywide Home Loans Servicing, LP.

TRADE AND COMMERCE

9. Defendants have, at all times described below, engaged in conduct which constitutes “trade,” “commerce” and/or a “consumer transaction” and the offering of, or providing of, “goods” and/or “services” as defined in Tenn. Code Ann. § 47-18-103(5), (10) and (11).

CONSUMERS

10. As used throughout this Complaint, the terms “borrowers,” “homeowners,” and “customers” shall all be considered “consumers” under Tenn. Code Ann. § 47-18-103(2).

ACTS OF AGENTS

11. Whenever reference is made in this Complaint to any act or practice of Defendants, such allegation shall be deemed to mean that the principals, officers, directors, employees, agents and representatives of such Defendants did, or authorized, such act or practice

on behalf of said Defendants, while actively engaged in the scope of their duties.

12. Whenever reference is made in this Complaint to any act of Defendants, such allegation shall be deemed to mean the act of each Defendant acting individually and jointly.

GENERAL ALLEGATIONS

Upon information and belief, the State of Tennessee alleges as follows:

13. For a number of years, Defendants have been among the largest originators of home loan mortgages in the country. In recent years, Defendants increased their market share by engaging in unfair and deceptive business practices that placed thousands of borrowers in risky, high-priced, and ultimately unaffordable mortgage loans. Defendants' practices have included placing borrowers in risky loans for which they were unqualified according to underwriting standards, structuring unfair loan products with risky features, offering illusory initial savings features such as "teaser" rates and low or no closing costs to induce borrowers to accept unaffordable loans, engaging in misleading marketing and sales techniques, and offering financial incentives to employees and brokers to sell more and more non-traditional loans with increasingly less adherence to underwriting guidelines. Defendants' business practices resulted in unaffordable mortgage loans and increased delinquencies and foreclosures for Tennessee borrowers.

14. Defendants routinely encouraged borrowers to accept high priced loans that they could not afford with features that placed them at substantial risk of default. Defendants misled borrowers by enticing borrowers with low teaser rates, low monthly payments and "no closing cost" loans that failed to make clear and conspicuous disclosures of the products' risks. To increase market share, Defendants dispensed with many standard underwriting guidelines and offered "low" documentation and "no-documentation" loans to place unqualified borrowers in

loans which ultimately they could not afford. Defendants encouraged borrowers to trust their guidance and then placed borrowers in loans that contained layers of unduly risky features, such as low introductory “teaser” rate adjustable rate mortgages, interest-only mortgages, pay option ARMs and mortgage loans for 100% of the value of borrowers’ homes. Defendants failed to either clearly and conspicuously or fully inform borrowers of the risks of these products.

15. Defendants shifted the risk of the failure of these non-traditional loans by bundling these loans and selling them to investors in the secondary market. The securitization of these loans allowed Defendants to shift much of the risk and gain much needed capital to fuel the loan origination process and reach their goal of capturing more and more market share. As the risky loans began to fail, Defendants were forced to repurchase or replace the failing loans in the investor pools.

16. The repurchase of defaulting loans increased the financial pressure on Defendants to generate more and more loan originations with less and less adherence to standard underwriting guidelines. To increase the number of loans, Defendants also provided incentives for their employees and brokers to solicit existing customers for re-financing, even though not requested by the customer, and place them in higher risk re-financed loans.

17. Defendants’ unfair and deceptive business practices have caused many thousands of borrowers damages, including but not limited to foreclosures of their homes, loan defaults and delinquencies, excessive interest, penalty, and loan re-payment costs, and damage to their credit ratings. Defendants’ practices also have caused a decrease in home values and deterioration of neighborhoods throughout the country and including Tennessee.

VIOLATIONS OF LAW:

TENNESSEE CONSUMER PROTECTION ACT

18. Defendants engaged in trade or commerce within the meaning of Tenn. Code Ann. § 47-18-103 by making loans to borrowers. Defendants advertised, offered, solicited sales of, and sold real estate secured loans and related goods and services to Tennessee borrowers.

19. Defendants engaged in the business of making loans to Tennessee borrowers that were secured by those borrowers' homes. Defendants used misleading and deceptive promotions, marketing and sales techniques to induce primarily low and moderate-income homeowners to refinance their mortgages and consolidate their debts using Defendants' real-estate secured loan products.

20. In the course of their dealings with borrowers and in furtherance of their own direct pecuniary and business gains, Defendants committed deceptive acts, or made material misrepresentations or omissions in violation of the Tenn. Code Ann. § 47-18-104(a), (b)(5), and (b)(27).

21. In the course of their dealings with borrowers and in furtherance of their own direct pecuniary and business gains, Defendants acted in violation of the Tenn. Code Ann. § 47-18-104(a) and (b)(27), relating to the business of making retail residential loans to borrowers in Tennessee.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, State of Tennessee, *ex rel.* Robert E. Cooper, Jr., Attorney General and Reporter, pursuant to the Tennessee Consumer Protection Act, the Attorney General's general statutory authority, the Attorney General's authority at common law and this Court's equitable powers, prays:

A. That this Complaint be filed without cost bond as provided by Tenn. Code Ann. §§ 20-13-101, 47-18-108 and 47-18-116 and no court costs or litigation fees or costs of any sort be taxed against the State pursuant to Tenn. Code Ann. § 47-18-116;

B. That process issue and be served upon Defendants requiring Defendants to appear and answer this Complaint;

C. That this Court adjudge and decree that Defendants have each engaged in the aforementioned acts or practices which violate the Tennessee Consumer Protection Act of 1977;

D. That, pursuant to Tenn. Code Ann. § 47-18-108(a)(1) and (a)(4), this Court permanently enjoin Defendants, their direct and indirect subsidiaries, affiliates, officers, directors, employees, agents, related entities, successors, and assigns, and all other persons and entities corporate or otherwise in active concert or participation with any of them, from engaging in the aforementioned unfair or deceptive acts or practices which violate the Tennessee Consumer Protection Act of 1977, and that such orders and injunctions be issued without bond pursuant to Tenn. Code Ann. § 47-18-108(a)(4);

E. That, pursuant to Tenn. Code Ann. § 47-18-108(b)(1), this Court make such orders or render such judgments as may be necessary to restore to any consumer or other person any ascertainable loss as defined in Tenn. Code Ann. § 47-18-2102(1), including statutory interest, suffered by reason of the alleged violations of the Tennessee Consumer Protection Act of 1977, and require that Defendants be taxed with the cost of distributing and administering the same by a third party administrator;


F. That all costs in this case be taxed against Defendant pursuant to Tenn. Code Ann. § 47-18-116; and

G. That this Court grant Plaintiff such other and further relief as this Court deems just and proper.


Respectfully submitted,



ROBERT E. COOPER, JR.
Attorney General and Reporter
B.P.R. No. 10934



JENNIFER E. PEACOCK
Assistant Attorney General
B.P.R. No. 22227
Office of the Tennessee Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
Phone: (615) 741-3108
Facsimile: (615) 532-2910

I hereby certify that this is a true copy
of original instrument filed in my office
this 22 day of Jan 2009
RICHARD R. ROOKER Clerk
By  Deputy Clerk